

Service Date: October 30, 1985

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

IN THE MATTER Of The Application Of)
GREAT FALLS GAS COMPANY For Authority)
To Issue Its Common Stock To Provide)
To It Additional Equity Capital)

UTILITY DIVISION
DOCKET NO. 85.10.43
ORDER NO. 5161

Great Falls Gas Company (GFGC or Applicant) is a public utility subject to the jurisdiction of this Commission and is engaged in the distribution of natural gas for residential, commercial, and industrial use in and around the City of Great Falls, Montana.

In recent years there have been, and for the foreseeable future, there will be demands upon the Applicant to maintain and, if necessary, expand its plant and properties to furnish adequate service to the public. Such improvement of the Applicant's properties requires additional capital.

The Applicant has commenced a project to build gas distribution lines to provide natural gas service to the businesses and residences in and around the Gore Hill area on the west edge of the Applicant's system, including the residences located in the Castle Heights Addition, which project is hereinafter referred to as the Gore Hill Project. The cost of the Gore Hill Project, which approaches \$400,000, is greater than can be financed by the Applicant's general revenues or from the Applicant's existing capital.

The Applicant's capital expenditures for the fiscal year ended June 30, 1985, including the first phase of the Gore Hill Project, totals approximately \$657,000. The items comprising

that \$657,000 in capital expenditures include, but are not limited to, the Gore Hill Project, main replacements, and the continuation of a meter replacement program. The Applicant plans capital expenditures for the fiscal year ended June 30, 1986, including the next phase of the Gore Hill Project, in an amount approximately equal to the capital expenditures projected for the fiscal year ended June 30, 1985, making a total for capital expenditures over the two years in the amount of approximately \$1,314,000.

In addition to the planned capital expenditures above described, the Applicant, pursuant to the terms of its first mortgage indenture, must make a balloon payment on November 1, 1985, on its mortgage bonds, in the amount of \$244,000. That balloon payment and the above capital expenditures make the total capital requirements of the Applicant over the next two years the sum of approximately \$1,558,000 which amount is greater than can be financed by the Applicant's general revenues or by short-term financing. The Applicant proposes to finance approximately 50 percent of that amount by the issuance in 1985 or 1986 of additional equity securities.

The Applicant has been advised by shareholders who own a significant amount of the common stock of the Applicant that they intend to sell to the public, shares which represent approximately 45 percent of the total outstanding shares of the Applicant's common stock. Such shares of the common stock of the Applicant would be registered with the Securities and Exchange Commission. The Applicant will realize significant savings of normal issuance costs by combining its proposed issue of additional common stock with the planned secondary offering by its major shareholders. These shareholders have agreed with the Applicant to share pro-rata with the Applicant most of the expenses of issuance with the result that the Applicant will pay

a pro-rata share of issuance expenses presently expected to be approximately 20 percent of the normal issuance costs and all auditing expenses for the combined offering instead of the full amount of those issuance costs.

The Applicant desires to issue 100,000 shares.

CONCLUSIONS OF LAW

The application herein complies with MCA 59-3-501 through 69-3-507 and other laws of the State of Montana, as aforesaid, and the same should be granted as hereinafter orders.

ORDER

NOW THEREFORE, at a session of the Public Service Commission of the State of Montana, held in its offices at 2701 Prospect Avenue, Helena, Montana, on October 28, 1985, there regularly came before the Commission for final action the matters and things in this Docket. The Commission being fully advised in the premises makes and enters the following Orders:

IT IS ORDERED, that the Applicant is hereby authorized to issue 100,000 shares of common stock.

IT IS FURTHER ORDERED, that the Applicant shall file a report with the Commission showing the terms and conditions of the sale of common stock authorized by this order.

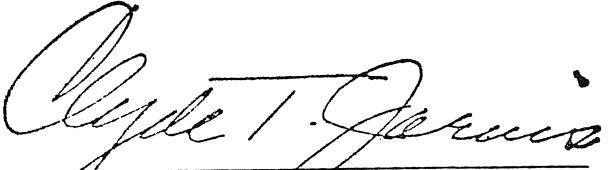
IT IS FURTHER ORDERED, that the foregoing authorization is without prejudice to the regulatory authority of this Commission with respect to rates, service, accounts, valuations, estimates, or determinations of cost, or any other matter subject to its jurisdiction as provided by law.

IT IS FURTHER ORDERED, that nothing in this Order or any act or deed done and performed in connection herewith shall be

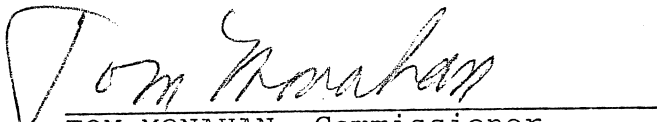
construed to obligate the State of Montana to pay or guarantee in any manner whatsoever any security authorized by this Order or authorized, issued, assumed, or guaranteed under the provisions of MCA 69-3-501 through 69-3-507, inclusive.


DONE IN OPEN SESSION at Helena, Montana, this 28th day of October, 1985 by a 5 - 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION


CLYDE JARVIS, Chairman


HOWARD L. ELLIS, Commissioner


TOM MONAHAN, Commissioner


DANNY OBERG, Commissioner


JOHN B. DRISCOLL, Commissioner

ATTEST:


Trena Scoffield
Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.406, ARM.